



State of California

Employment Training Panel

Arnold Schwarzenegger, Governor

March 23, 2010

Kathleen Fisher, VP of HR
Kirkhill TA Company
300 East Cypress Street
Brea, CA 92821

Dear Ms. Fisher:

RE: FINAL MONITORING VISIT REPORT for Kirkhill TA Company – ET08-0303

Date of the Visit:	11/3/09 & 1/12/10
Beginning/Ending Time:	10:00 AM - 3:00 PM
Date of Last Visit:	1/30/09
Visit Location:	Valencia, CA (11/3/09) & Brea, CA (1/12/10)
Persons in attendance:	11/3/09 – Ed Andino, HR Manager, TA Aerospace; Laurie Holmes, HR Generalist, TA Aerospace; Sara Martinez, HR Assistant, TA; Ryan Swier, ETP Contract Analyst; Margarita Paccarelli, ETP Contract Analyst. 1/12/10 – Kathleen Fisher, VP of HR, KTA; Rocio Ochoa, HR Generalist, KTA; Ed Andino, HR Manager, TA Aerospace; Laurie Holmes, HR Generalist, TA Aerospace; Julie Do, HR Generalist, Leach International; Marilyn Dominguez, Cal Training; Ryan Swier, ETP Contract Analyst.
Action Required:	No

CONTRACT INFORMATION:

Term of Agreement:	12/26/07-12/28/09	Agreement Amount:	\$793,800
Training Start Date:	12/26/07	No. to Retain:	Job 1 - \$405,000 Job 2 - \$388,000
Date Training must be Completed:	9/25/09	Range of Hours:	24 - 200
Type of Trainee:	Retrainee	Weighted Ave. Hours:	Job 1 – 50 Job 2 - 100

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PURPOSE OF 11/3/09 VISIT

On 10/16/09 ETP received a call from a Kirkhill TA employee at the Valencia, CA location about record keeping concerns at the Valencia location.

Due to the reported concerns Mr. Swier scheduled a visit on 11/3/10 in order to review ETP documentation and conduct trainee/trainer interviews. At this time a suspend payment on all billing was placed on this contract.

FINDINGS OF 11/3/09 VISIT

Mr. Swier and Ms. Pacerelli started by reviewing records. The records review took longer than anticipated as the documentation of ETP training was not organized. Findings of the records included:

- Trainees with up to three classes of training overlapping during same date and time
- Copies of rosters (non-originals)
- Over trainer-to-trainee ratio (1:20)
- Out of date order on multiple day rosters
- Missing rosters
- Rosters were not in date or roster # order

Mr. Swier and Ms. Pacerelli then proceed to interview 12 trainees and 2 instructors. It was difficult for the trainings to remember the detail of the trainings that took place 4 months or more at the time of the interviews. The trainees did state that training took place and that to the best of their knowledge the times on the rosters were correct. When asked about trainings that took place at overlapping times per the rosters, both trainees and instructors stated it must of have been record keeping mistakes.

As a result of these findings, a teleconference took place with Ms. Fisher, Mr. Andino, Ms. Torres, ETP Field Manager, and Mr. Swier on 11/17/09 regarding the findings listed above. Based on the records reviewed and the interviews conducted, you were advised of problems with Kirkhill TA ETP project administration at the Valencia location. Mr. Swier provided the Kirkhill with an email on 11/17/09 with examples of findings and information on necessary secondary source of documentation. It was agreed that final monitoring visit would take place during the week of December 14th-17th where Mr. Swier would follow-up on the administration, documentation and reporting of ETP training hours.

The contractor was unable to meet during the term of the contract because it took longer than expected for Kirkhill to audit its records and correct the data entry errors due to year end commitments and conflicts in calendars of the three divisions existed. ETP agreed for the visit to take place after the term of the contract.

RECORDS REVIEW 1/12/10:

Representatives from Kirkhill stated that the Valencia records were audited and organized by date order. All previously entered copies and non-eligible rosters were deleted from the ETP online forms system and placed in separate binder. Additionally during Kirkhill TA's internal audit, they found eligible rosters that had not previously been tracked and were subsequently added into the ETP tracking system.

During the January 12, 2010 Monitoring Visit, Mr. Swier randomly selected the attendance records of nine enrolled trainees. The review of the randomly selected sample revealed that the trainees had completed 24 to 200 hours of class/lab training. The review sample consisted of original daily class/lab attendance rosters for training provided from 1/8/08 through 9/25/09. Mr. Swier compared the information in the ETP on-line class/lab tracking system with the attendance rosters to ensure that the information was consistent.

The review of the sample selected revealed that the information on the rosters was not in accordance with Title 22, California Code of Regulations, Section 4442, Record Keeping and not consistent with information in the ETP on-line tracking report. The following examples of errors were found in Job 1:

- Rosters 03588 & 04088 – Overlapping training and trainees

Job 2:

TA – Valencia facility

- Roster 10348 – Over trainer-to-trainee ratio
- Roster 10878 – Dates had been changed on roster
- Roster 10017 – Copy of roster, non-original
- Rosters 15448 & 15433 – Secondary Source of documentation provided and consisting of email for overlapping training and trainees

Leach, Buena Park facility

- Rosters 25070 & 25298 – Overlapping training and trainees
- Roster 25244 – Missing roster
- Roster 25318 – Missing roster (copy was provided, will look for original)

Mr. Swier informed those present that the records listed above needed to be corrected and a 100% audit should be performed on the records in order to request ETP reimbursement only for training which was conducted and report in compliance with ETP requirements.

FINAL REPORT SUMMARY

The Agreement was executed on 2/22/08 and training began on 12/26/07. Your staff reported that all training was completed on 9/25/09, which allowed for the 90-day retention period to be completed within the term ending date of the Agreement – 12/25/09.

ETP approved one Agreement Amendment on 6/23/09 which reduced the number of class/lab hours in Jobs 2 from 301 to 216 trainees and increased the number to retain in Job 1 from 560 to 900 trainees. The agreement amount remained the same.

FINAL INTERVIEW WITH THE CONTRACTOR

The Contractor reported that ETP-funded training has increased employee's skills in continuous improvement, business, commercial, management, manufacturing, and computer skills. Each location experienced different outcomes with the ETP training provided. Kirkhill located in Brea, CA had layoffs which created a need to for employees to learn new skills and take on new roles. Ms. Fisher stated that training was the salvation of Kirkhill. She also felt that trainees that were laid off were better prepared for the job market with transferable job skills obtained through ETP training. TA, located in Valencia, CA did not have layoffs and was able to reduce hours and increase production through lean manufacturing training. Leach located in Buena Park, CA had

the bulk of ETP training in a new ERP system which has kept inventory low, leaned out the process and reduced the cost of goods sold. The Kirkhill TA Company had no barriers in implementing the ETP project and hired on California Training Coalition to provide administration support. The Kirkhill TA Company plans to forward for another ETP agreement once funding is available.

PROJECT STATUS

Job Number	Number to Retain	Number Enrolled in Training	Number of Trainees Dropped (following enrollment)	Number of Trainees Completed Minimum Hours	Number of Trainees Completed all Training (in Reten.)	Number of Trainees Completed Retention
1	900	461	5	461	454	7
2	216	355	16	339	339	0
Totals:	1116	816	21	800	793	7

The chart below lists the training hours provided to the 800 trainees tracked on-line who reached the specified benchmarks:

NUMBER OF TRAINEES: 461 IN JOB 1	HOURS COMPLETED	PERCENTAGE OF TOTAL ENROLLED
164	24-50	36%
166	51-100	36%
66	101-150	14%
65	151-200	14%

NUMBER OF TRAINEES: 339 IN JOB 2	HOURS COMPLETED	PERCENTAGE OF TOTAL ENROLLED
160	24-50	47%
89	51-100	26%
50	101-150	15%
40	151-200	12%

As of the date of the Monitoring report, the Contractor's statistics showed that 800 trainees had completed a minimum of 24 hours of training to qualify for reimbursement. Mr. Swier explained to the contractor that the per trainee reimbursement for class/lab training is based on the total number of training hours completed by each trainee, provided the minimum 24 hours of training and no more than the maximum 200 hours of training are completed, and all other Agreement terms and conditions are met.

The tracking provided by Kirkhill reports that the aforementioned 800 retrainees were provided a total of 63,436 hours of Class/Lab and Advanced Technology training. Therefore, the Kirkhill TA

Company can potentially earn \$793,800 in reimbursement (100 percent of encumbered funds), if all Agreement terms and conditions are met. However, per the previous cited discussions many of the training maybe ineligible for reimbursement. As a result Kirkhill will be recommended for an early audit. See audit discussion in this report. On 2/9/10 the contractor was informed via email that the suspend payment had been lifted and that this project would be audited. As of the date of this report the Kirkhill TA Company has received \$293,937.25 of which of which \$6,811.00 is considered earned and approved by ETP.

AUDIT

Due to compliance issues with ETP regulations on both the October and January visits ETP staff is recommending that this project to be audited. The audit will be conducted either at your site (field audit) or by telephone (desk audit or "review"). The Audit Notification and Audit Confirmation letters will be sent in advance to allow ample preparation time and will include a list of documents that will be examined by the auditor. To provide support of training, original training attendance documentation is required; photocopied records are not acceptable. Listed below are types of records typically requested during an ETP field audit:

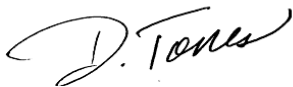
- Training attendance records such as rosters, sign-in sheets, etc.
- Payroll records of individual trainees to verify wage and hours worked
- Personnel records regarding occupation and dates of employment
- Documentation of employer paid health benefits (if applicable)
- Cash receipts to verify receipt and accounting of ETP funds

RECORD RETENTION:

Records must be retained within your control and be available for review at your place of business within the State of California. This responsibility will terminate no sooner than four (4) years from the date of the termination of the Agreement or three (3) years from the date of the last payment by ETP to the Contractor, or the date of resolution of appeals, audits, claims, exceptions, or litigation, whichever is later.

If you have any questions or comments regarding the information contained in this letter, please contact Ryan Swier at (619) 686-1902, or e-mail him at rswier@etp.ca.gov within ten (10) working days from the receipt of this letter.

Sincerely,



Diana Torres, Manager
San Diego Regional Office



Ryan Swier, Contract Analyst
San Diego Regional Office

cc: Kulbir Mayall, ETP Manager, Fiscal and Certification

Stephen Runkle, ETP Manager, Audits
Dave Guzman, ETP Chief of Program Operations
Diana Torres, ETP Field Office Manager
ED, Andino, HR Manager, TA Aerospace1
Marilyn Dominguez, California Training Coalition
Master File
Project File